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Press Releases

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2006 – AN OUTSTANDING YEAR IN THE CORPORATE HISTORY OF KLÖCKNER & CO AG

Very good development of earnings in 2006
Positive share performance
Further reduction of debt
Further development of expansion strategy according to plan
Positive outlook for 2007 financial year

The multi-metal distribution company Klöckner & Co AG looks back on an outstanding year 2006. Based on the operating profit, 2006 was the most successful year in Klöckner & Co's company history. Successful introduction of the Klöckner & Co share on the Frankfurt Stock Exchange created for the Group a new, broad owner structure and simultaneously a very good basis for implementation of future strategic goals.

Most successful initial public offering in 2006

The price of the Klöckner & Co share has developed extremely positively since the IPO. At the end of the year the share was quoted at €32.81. This meant, measured against the issue price of €16.00 per share, its value had more than doubled within six months and was thus the most successful initial public offering in Germany in 2006. In the meantime the price has risen further: the closing price on March 26, 2007 was €41.14 (Xetra).

After the Klöckner & Co share was included in the SDAX® share index of the Deutsche Börse Group back on September 18, 2006, non-scheduled admission of the share to the MDAX® index took place on January 29, 2007.



Change in Klöckner & Co's shareholder structure

The increase in the portion of Klöckner & Co's freely marketable shares to 84.5% effective as of the end of January 2007 was performed in two stages. At the end of October 2006 the majority shareholder, Multi Metal Investment (MMI), an investment company of investor Lindsay Goldberg & Bessemer, sold 20% of its 65% holding in Klöckner & Co to national and international investors within the framework of a placement. At the end of January 2007 MMI then sold a further 30% of its Klöckner & Co shares to international investors and now holds 15.5% of the total Klöckner & Co shares. According to a notification as per § 21 subsection 1 and § 22 subsection 1 WpHG, Franklin Mutual Advisors Inc., Short Hills, has held 10.81% of the voting rights since March 1, 2007.

Excellent result / dividend payout

Supported by the good business situation for metal distribution in 2006, the Klöckner & Co Group increased its sales volume in 2006 by 4.4% over the previous year to 6.1 million tons (2005: 5.9 million tons). Group sales rose from €5.0 billion in 2005 to over €5.5 billion in 2006, resulting in sales growth for the Klöckner & Co Group of 11.4% as compared to the comparable figure for 2005. In addition to the increased sales volume and improved margins, especially the measures within the framework of the STAR performance program led to significant improvement in earnings development last year.

The EBITDA (earnings before interest, taxes, depreciation and amortization) of the Klöckner & Co Group totaled around €395 million in 2006, more than double the economically comparable, adjusted value of €197 million for the previous year. The European and North American operating segments each achieved an EBITDA considerably above the 2005 figure, i.e. about €366 million (Europe) and around €79 million (North America) respectively.

The Group's EBIT (earnings before interest and taxes) amounted to €337 million in 2006 after an economically comparable operating result of €135 million in the previous year. The earnings before taxes improved substantially from around €81 million in 2005 to €273 million. The consolidated results before minority interests in 2006 were €235 million. The equity ratio as of December 31, 2006 amounted to 31.3%.

The net indebtedness was consistently reduced in the course of the 2006 financial year and totaled €365 million at the end of 2006.

The Management Board and the Supervisory Board of Klöckner & Co will propose distribution of a dividend of €0.80 per share for the 2006 financial year. This is equivalent to a payout ratio of 30% of the consolidated income after deduction of extraordinary or non-operational income. This means Klöckner & Co AG meets the payout target announced within the framework of the initial public offering.



Growth strategy of Klöckner & Co AG

“We are pleased about the very good 2006 financial year. Besides the outstanding market development, the STAR performance program in particular contributed to the good development of results. The core idea of “STAR” is to apply exceptionally successful business practices and models to other country operations and generate new ideas in cross-border working groups. Special focus is placed on optimizing purchasing, the distribution network and inventory management. This year, too, we will continue the successful program,” stated the Chairman of the Management Board of Klöckner & Co AG, Dr. Thomas Ludwig.

Furthermore, Klöckner & Co successfully continued its expansion strategy by means of taking over small and medium-sized distribution enterprises. The first acquisition in 2006 was Targe, a French company. In July 2006 this was followed by acquisition of Aesga, a Spanish distribution group for special steel. In October the US country operation was significantly strengthened through takeover of the distribution company Action Steel in the Midwest of the USA with locations in Indianapolis, Indiana and Louisville, Illinois. In October the Klöckner & Co Group also acquired Gauss, a Swiss company in the Zurich area.

As announced, this growth strategy will be pursued further in 2007, too. The French company Tournier was already taken over at the beginning of 2007.

Outlook for 2007

In 2007, too, Klöckner & Co continues its successful STAR performance program. In addition, the company has already started to intensify its acquisition activities. Takeover of around ten to twelve small and medium-sized distribution enterprises is planned in 2007. Besides external growth, Klöckner & Co also targets further organic growth in the existing core markets. In this context the Group is concentrating on extending its product lines and range of services and on expanding geographically in Eastern Europe.

The year 2007 has already started off on a very good note. Stable development of demand has continued, particularly in the important sectors for Klöckner & Co, i.e. the building industry, mechanical engineering and plant construction.

For 2007 Klöckner & Co assumes a predominantly stable demand and price development in the steel market. Multi-metal distribution will continue to profit from this development and against this background Klöckner & Co again expects a satisfactory result for the year 2007.

*) Excluding release of negative goodwill in the amount of €147 million, restructuring expenses of €17 million, disinvestment expenses of €2 million and, in the EBT and EAT, excluding transaction costs in the amount of €36 million



**) Excluding release of negative goodwill in the amount of €139 million, restructuring expenses of €17 million, results from disinvestment of €2 million and, in the EBT and EAT, excluding transaction costs in the amount of €39 million

Explanation of pro formas:

The pro forma 2005 financial information aims to provide improved insight into the consolidated results of operations and the financial situation of the Group. It assumes that the change in shareholder and corporate structure occurred on January 1, 2005, instead of March 16, 2005.

